semiannual rate periods are consecutive six-month periods, the first of which begins with the bond's issue date. This means that there can be a delay of several months from the time of a composite rate announcement to the time that rate determines interest earnings for a bond. For example, if you purchased a bond in April, its semiannual rate periods begin every April and October. At the beginning of the semiannual rate period in April, the most recently announced composite rate would have been the rate we announced the previous November. This rate will determine interest earnings for your bond for the next six months, through the end of September. At the beginning of the semiannual rate period in October, the most recently announced composite rate would be the rate announced the previous May. This rate will determine interest earnings for your bond through the end of the following March. However, if you purchased a bond instead in May, its semiannual rate periods begin in May and November. Therefore, the composite rates announced in May and November will apply immediately to this bond. (See appendix C to part 359 at § 2 for a discussion of rate lag.)

§ 359.16 When does interest accrue on Series I savings bonds?

(a) Interest, if any, accrues on the first day of each month; that is, we add the interest earned on a bond during any given month to its value at the beginning of the following month.

(b) The accrued interest compounds semiannually.

§ 359.17 When is interest payable on Series I savings bonds?

Interest earnings are payable upon redemption.

§ 359.18 Is the determination of the Secretary on rates and values final?

The Secretary's determination of fixed rates of return, semiannual inflation rates, composite rates, and savings bonds redemption values is final and conclusive.

§ 359.19 How is interest calculated?

We base all calculations of interest on a $25 unit. We use the value of this unit to determine the value of bonds in higher denominations. The effect of rounding off the value of the $25 unit increases at higher denominations. This can work to your slight advantage or disadvantage, depending on whether we round the value up or down.[3]

§§ 359.20–359.24 [Reserved]

Subpart B—Definitive Series I Savings Bonds

§ 359.25 What were the denominations and prices of definitive Series I savings bonds?

Prior to January 1, 2012, definitive Series I savings bonds were issued in denominations of $50, $75, $100, $200, $500, $1,000, $5,000, and $10,000. These definitive bonds were sold at par; that is, the purchase price was the same as the denomination (face value).

[76 FR 66856, Oct. 28, 2011]

§ 359.26 When are definitive Series I savings bonds validly issued?

A definitive bond is validly issued when it is registered as provided in part 360, and when it bears an issue date and the validation indicia of an authorized issuing agent.

§ 359.27 What is the issue date of a definitive Series I savings bond?

The issue date of a definitive bond is the first day of the month in which an authorized issuing agent received payment of the issue price.

[76 FR 66856, Oct. 28, 2011]

[3] For example: A composite rate of 2.57% will result in a newly purchased $25 unit increasing in value after six months to $25.32, when rounded to the nearest cent. Thus, a $5,000 bond purchased at the same time as the $25 unit will be worth $5,064 after six months ([$5,000 divided by $25] × $25.32 = $5,064.) In contrast, if it applied directly to a $5,000 bond, the rate would render a value of $5,064.25 after six months, a difference of 25 cents. (This example does not include any discussion of the three-month interest penalty that applies if you redeem a bond less than five years after its issue date.)